

From January to September 2003

### **Portucel Soporcel Group results affected by poor global economic activity**

- **Consolidated turnover of €755 million**
- **Net debt reduced by €29 million**
- **EBITDA of €194 million**
- **€10 million improvement in net financial results**
- **Net results of €32,8 million**
- **Non recurring items with €8 million negative impact on results**

The worldwide fall in economic activity, impacting negatively on demand for pulp and paper products, and consequently on prices, was a determinant factor for the Group's fall in results in the first 9 months of 2003.

Net consolidated results for this period were €32,8 million. The comparability of these results with the ones achieved in the same period last year is negatively affected by non recurring items of approximately €8 million.

On the one hand, the forest fires, which affected Portugal during this summer, damaged an area of approximately 15 thousand ha of the Group's own forest. Even though there are still some impacts that have not been quantified, the Group's results already include a €2,7 million loss resulting from these fires.

On the other hand, non recurring items also include the impact of redundancy costs as well as costs associated with an increase in the Group's Pension Funds responsibilities, which were not sufficiently compensated by its income. These two items amounted to €2,1 and €3,3 million respectively, of which €1 and €1,9 million in the third quarter.

Operating results in these first 9 months of 2003 registered a decrease of approximately €59 million year on year, an amount similar to the decrease registered in the Group's turnover, showing that global operating costs performed positively in this period.

### **Paper accounts for 74% of global turnover**

Total consolidated sales in the period amounted to €754,9 million, compared to €814,4 million attained in the first 9 months of 2002. Paper business accounted for €557 million, 74% of total turnover.

Paper sales volume from January to September grew approximately 2,5% year on year, with 680 thousand tonnes sold.

In terms of pulp, sales in volume totalled 439 thousand tonnes, 6,8% less than in the same period last year .

### **3<sup>rd</sup> quarter: product mix improvement**

In this 3<sup>rd</sup> quarter, consolidated sales totalled €238,5 million, 6,5% less than in the same quarter of 2002.

Also in this quarter and in terms of the market for paper products, deliveries from European producers to Europe fell 5% when compared to the 3<sup>rd</sup> quarter of 2002. Nevertheless, Group sales to Europe fell only 3%, being noteworthy an improvement in product mix, translated into an 8% growth in sheeted paper.

As a result of a growing penetration into the North American market, the Group's global sales volume grew 12% in this quarter, sustained by a clear mix improvement, with a 19% growth in sheeted products which represented 77% of paper sales (72% in 2002).

### **Lower paper and pulp prices**

In this negative environment, average office paper prices in the European market registered a 9% fall, in line with the Group's price development, while in terms of graphic papers average prices in Europe fell 7%, versus a 5% fall in the Group.

The adverse market conditions in the pulp business had also a negative impact on prices, with average sale price for pulp within the Group experiencing a 16% decrease in this 3<sup>rd</sup> quarter, mainly resulting from the weakness of the dollar versus the Euro.

Due to the weak environment in paper markets, the Group's BEKP order book reflected the low level of orders at its customers, especially in July.

### **EBITDA margin substantially better than industry average**

In the first 9 months of the year, Portucel Soporcel Group generated an EBITDA of €194 million and a cash flow of €144 million, which compares with €257 million and €182 million respectively in the same period last year.

The EBITDA / sales margin was 26%, comparing very favourably with the industry average.

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Financial results at the end of September 2003 showed a € 10 million improvement in a year on year basis.

In the period ended in September 2003, net debt was reduced by approximately € 29,3 million, despite investments totalling € 88 million. At the end of this period, net debt stood at €989 million.

### **Future perspectives**

Perspectives for the nearby future continue to hold a high degree of uncertainty, with the industry market conditions being dependent on how economic conditions will develop.

As such, significant changes in demand are not expected until the end of the year, while the Group believes that a progressive improvement will take place during 2004.

The Company will carefully follow the market and will adopt the more adequate measures in order to maintain its efficiency and competitiveness.

**KEY INDICATORS**

(Values in thousand €, except if otherwise indicated)	9 months 2003	9 months 2002	Change (%)
Total Sales	754 974	814 379	-7%
Operating Results	86 441	145 399	-41%
Financial Results	-32 698	-42 435	-23%
Results before taxes	50 352	104 010	-52%
<b>Net Results before non recurring items</b>	40 820	71 332	-29%
<b>Net Results *</b>	32 820	71 332	-54%
<b>EBITDA</b>	194 241	257 291	-25%
EBITDA / Sales	26%	32%	
Cash flow	144 011	182 179	-21%
<b>Total Production (000 tons)</b>			
Pulp	899.865	913 756	-1,5%
Paper	691.957	682 630	+1,4%
<b>Quantities Sold (000 tons)</b>			
Pulp	438.948	471.225	-6,8%
Paper	679.814	663.369	+2,5%
Change on average pulp price (base 100)	91	100	
Change on average paper price (base 100)	94	100	

\* net results after deducting minority interests



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA)**

**CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30<sup>th</sup> 2003**

(Amounts stated in Euro)

<b>ASSETS</b>	<b>Gross assets</b>	<b>2003 Depreciation and provisions</b>	<b>Net assets</b>	<b>2002 Net assets</b>
<b>FIXED ASSETS:</b>				
Intangible assets:				
Incorporation expenses	39.728.254,72	38.791.763,82	936.490,90	5.344.951,20
Research and development expenses	43.569.567,95	36.239.628,15	7.329.939,80	10.275.767,43
Industrial property and other rights	2.106.663,83	2.103.811,99	2.851,84	-106.758,32
Assignment	428.132.253,56	47.094.547,85	381.037.705,71	398.162.995,83
Intangible assets in progress	9.910.747,22		9.910.747,22	8.209.706,07
Advances to suppliers of intangible assets			0,00	0,00
	<b>523.447.487,28</b>	<b>124.229.751,81</b>	<b>399.217.735,47</b>	<b>421.886.662,21</b>
Tangible fixed assets:				
Land and natural resources	119.248.781,52	152.011,91	119.096.769,61	134.510.199,61
Buildings and other constructions	363.292.919,59	167.312.121,51	195.980.798,08	207.523.430,85
Machinery and equipment	2.135.171.932,23	1.352.827.722,30	782.344.209,93	821.205.837,87
Transportation equipment	33.889.121,88	20.448.536,38	13.440.585,50	14.928.795,40
Tools and dies	3.764.291,17	3.433.816,57	330.474,60	458.359,94
Administrative equipment	32.376.519,81	27.090.633,73	5.285.886,08	5.924.140,94
Returnable containers	356.758,79	242.709,27	114.049,52	226.201,47
Other tangible fixed assets	11.413.258,00	8.952.243,55	2.461.014,45	3.371.157,11
Construction in progress	118.535.146,71		118.535.146,71	90.303.583,40
Advances to suppliers of fixed assets	37.844.279,34		37.844.279,34	4.851.076,45
	<b>2.855.893.009,04</b>	<b>1.580.459.795,22</b>	<b>1.275.433.213,82</b>	<b>1.283.302.783,04</b>
Financial investments:				
Investments in affiliated companies	3.797.202,24		3.797.202,24	580.238,27
Loans to affiliated companies	92.277,61		92.277,61	92.277,61
Investments in associated companies	11.222,95	0,00	11.222,95	62.432,81
Loans to associated companies	0,00	0,00		1.501.381,67
Securities and other financial investments	26.943.100,11		26.943.100,11	25.369.800,23
Other loans	25.000,00		25.000,00	25.000,00
	<b>30.868.802,91</b>	<b>0,00</b>	<b>30.868.802,91</b>	<b>27.631.130,59</b>
INVENTORIES - Medium and long term:				
Work in process	249.078.398,15		249.078.398,15	282.470.357,63
Advances to suppliers of inventories	70.028,18		70.028,18	0,00
	<b>249.148.426,33</b>	<b>0,00</b>	<b>249.148.426,33</b>	<b>282.470.357,63</b>
CURRENT ASSETS:				
Inventories:				
Raw materials and supplies	99.084.647,51	25.052,90	99.059.594,61	106.100.220,78
Work in process	25.456.745,86		25.456.745,86	27.165.670,69
Subproducts and waste	1.383.841,62		1.383.841,62	630.073,72
Finished and semi finished goods	46.043.779,61	25.197,51	46.018.582,10	43.021.296,17
Merchandise	210.936,73		210.936,73	230.407,26
Advances to suppliers of inventories	476.310,44		476.310,44	1.412.552,82
	<b>172.656.261,77</b>	<b>50.250,41</b>	<b>172.606.011,36</b>	<b>178.560.221,44</b>
Accounts receivable:				
Accounts receivable from customers	198.372.931,18	0,00	198.372.931,18	209.422.121,04
Securities receivable from customers	0,00		0,00	0,00
Doubtful accounts receivable	3.260.429,00	2.909.400,71	351.028,29	87.534,93
Group companies	0,00		0,00	0,00
Participated companies			0,00	0,00
Other shareholders			0,00	0,00
Advances to suppliers	2.670.281,47	67.786,00	2.602.495,47	13.356.189,64
Advances to suppliers of assets	24.305.448,92		24.305.448,92	0,00
Public entities	2.754.254,62	33.421,70	2.720.832,92	42.976.393,41
Other debtors			0,00	5.939.823,54
	<b>231.363.345,19</b>	<b>3.010.608,41</b>	<b>228.352.736,78</b>	<b>271.782.062,56</b>
Marketable securities:				
Shares				0,00
Other treasury applications	3.500.000,00		3.500.000,00	0,00
	<b>3.500.000,00</b>		<b>3.500.000,00</b>	<b>0,00</b>
Banks and cash:				
Banks	35.601.183,47		35.601.183,47	10.384.650,37
Cash	42.012,49		42.012,49	50.633,46
	<b>35.643.195,96</b>		<b>35.643.195,96</b>	<b>10.435.283,83</b>
Accruals and deferrals				
Accrued income	9.154.168,22		9.154.168,22	6.811.716,20
Deferred costs	38.923.958,42		38.923.958,42	28.264.746,32
	<b>48.078.126,64</b>	<b>0,00</b>	<b>48.078.126,64</b>	<b>35.076.462,52</b>
<b>Total amortisation and depreciation</b>		1.704.689.547,03		
<b>Total provisions</b>		3.060.858,82		
<b>Total assets</b>	<b>4.150.598.655,12</b>	<b>1.707.750.405,85</b>	<b>2.442.848.249,27</b>	<b>2.511.144.963,82</b>



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL, S A (SOCIEDADE ABERTA)**  
**CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30<sup>th</sup> 2003**

(Amounts stated in Euro)

<b>EQUITY AND LIABILITIES</b>	<b>2 0 0 3</b>	<b>2 0 0 2</b>
<b>EQUITY:</b>		
Share capital	767.500.000,00	767.500.000,00
Own shares - Nominal value	-60.500,00	-60.500,00
Own shares - Discounts and premiums	6.820,87	6.820,87
Adjustments in investments in affiliated and associated companies	-550.199,32	-550.199,02
Revaluation reserve	38.450.314,14	38.450.314,14
Legal reserve	27.274.919,60	17.796.477,76
Statutory reserve	37.775.248,88	29.261.625,18
Other reserve	-3.021.231,34	-3.071.241,05
Retained earnings	168.657.433,42	121.336.479,52
Net income for the year	32.819.944,73	71.332.277,45
<b>Total equity</b>	<b>1.068.852.750,98</b>	<b>1.042.002.054,85</b>
<b>MINORITY INTERESTS</b>	0,00	78.354.962,88
<b>LIABILITIES</b>		
<b>PROVISIONS FOR RISKS AND CHARGES</b>		
Provisions for risks and charges	4.755.052,14	6.166.470,93
	<b>4.755.052,14</b>	<b>6.166.470,93</b>
<b>MEDIUM AND LONG - TERM LIABILITIES:</b>		
Bank loans	884.157.564,43	897.130.571,52
Non-convertible bonds	0,00	0,00
Accounts payable to suppliers of fixed assets	2.330.995,46	7.469.778,53
Other creditors	20.079,94	0,00
	<b>886.508.639,83</b>	<b>904.600.350,05</b>
<b>Dívidas a terceiros - Curto prazo:</b>		
Non-convertible bonds	0,00	0,00
Bank loans	94.950.872,37	75.736.858,97
Advances from sales	154.493,27	434.204,00
Accounts payable to suppliers	76.020.956,45	89.371.796,01
Suppliers - invoices pending verification	25.905.748,62	31.568.307,29
Group companies	42.397.931,48	72.970.148,36
Other shareholders (partners)	1.258,88	1.258,88
Advances from customers	0,00	5.882,36
Other loans	0,00	35.604,61
Accounts payable to suppliers of fixed assets	70.675.479,46	12.028.001,42
Public entities	4.523.776,08	38.796.382,02
Other creditors	3.515.931,84	2.532.682,08
	<b>318.146.448,45</b>	<b>323.481.126,00</b>
<b>ACCRUED COSTS AND DEFERRED INCOME:</b>		
Accrued costs	146.516.127,61	140.454.733,35
Deferred income	18.069.230,75	16.085.266,06
	<b>164.585.358,36</b>	<b>156.539.999,41</b>
<b>Total liabilities</b>	<b>1.373.995.498,78</b>	<b>1.390.787.946,39</b>
<b>Total equity, minority interests and liabilities</b>	<b>2.442.848.249,76</b>	<b>2.511.144.964,12</b>



**PORTUCEL - EMPRESA PRODUTORA DE PASTA E PAPEL , SA (SOCIEDADE ABERTA)**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON SEPTEMBER 30<sup>th</sup> 2003**

(Amounts stated in Euro)

		<b>2003</b>		<b>2002</b>
<b>EXPENSES</b>				
Cost of materials consumed		283 226 186		300 626 829
External services and supplies		190 401 722		168 297 658
Payroll expenses:				
Salaries and wages	52 742 147		50 311 785	
Social charges	23 243 025	75 985 172	27 973 316	78 285 100
Depreciation and amortisation		110 931 479		110 846 676
Provisions		259 546		600 079
Taxes		2 168 266		1 606 608
Other operating costs		8 332 391		8 491 347
	<b>(A)</b>	<b>671 304 763</b>		<b>668 754 298</b>
Losses in group and associated companies		11 709		215 003
Interest and similar costs:				
Related to group companies	9 270 681		12 361 234	
Others	42 062 411	51 333 092	42 237 978	54 599 212
	<b>(C)</b>	<b>722 649 565</b>		<b>723 568 513</b>
Extraordinary expenses		12 879 212		6 821 736
	<b>(E)</b>	<b>735 528 777</b>		<b>730 390 249</b>
Income tax		17 532 275		33 353 028
	<b>(G)</b>	<b>753 061 052</b>		<b>763 743 278</b>
Net result for the period	32 819 945		71 332 277	
Minority interests	0	32 819 945	- 675 738	70 656 539
		<b>785 880 997</b>		<b>834 399 817</b>
<b>INCOME</b>				
		<b>2003</b>		<b>2002</b>
Sales	745 330 944		809 325 613	
Services rendered	9 642 678	754 973 621	5 053 016	814 378 629
Variation in production		- 4 103 199		- 2 996 656
Own work for the Company		3 930 094		719 444
Supplementary income	2 055 157		1 603 776	
Operating subsidies	373 318		114 332	
Other operating income	517 086	2 945 562	333 683	2 051 790
	<b>(B)</b>	<b>757 746 077</b>		<b>814 153 208</b>
Gains in group and associated companies	0		0	
Income from share capital participations	614 504		613 095	
Income from investments in shares and other financial investments				
Related to affiliated companies	0		0	
Others	272 302		183 302	
Other interest and similar income:				
Related to affiliated companies	5 947 303		4 453 046	
Others	11 812 797	18 646 906	7 129 968	12 379 410
	<b>(D)</b>	<b>776 392 984</b>		<b>826 532 618</b>
Extraordinary income		9 488 013		7 867 199
	<b>(F)</b>	<b>785 880 996</b>		<b>834 399 817</b>
<b>Operating results:</b>	<b>(B) - (A)</b>	86 441 315		145 398 910
<b>Financial results:</b>	<b>(D - B) - (C - A)</b>	- 32 697 895		- 42 434 806
<b>Current results:</b>	<b>(D) - (C)</b>	53 743 419		102 964 104
<b>Result before income tax and minority interests:</b>	<b>(F) - (E)</b>	50 352 219		104 009 567
<b>Consolidated net result with minority interests:</b>	<b>(F) - (G)</b>	32 819 945		70 656 539
<b>Net result after minority interests:</b>		32 819 945		71 332 277